

Part III - Administrative, Procedural, and Miscellaneous

Phase-out of Credit for New Qualified Hybrid Motor Vehicles and New Advanced Lean Burn Technology Motor Vehicles

Notice 2010-42

SECTION 1. PURPOSE

This notice announces the credit phase-out schedule for new advanced lean burn technology motor vehicles and new qualified hybrid passenger automobiles and light trucks sold by Volkswagen Group of America.

SECTION 2. BACKGROUND

Section 30B(a)(2) of the Internal Revenue Code provides for a credit determined under § 30B(c) for certain new advanced lean burn technology motor vehicles. Section 30B(a)(3) provides for a credit determined under § 30B(d) for certain new qualified hybrid motor vehicles. Both the new advanced lean burn technology motor vehicle credit and the new qualified hybrid motor vehicle credit begin to phase out for a manufacturer's passenger automobiles and light trucks in the second calendar quarter after the calendar quarter in which at least 60,000 of the manufacturer's passenger automobiles and light trucks that qualify for either credit have been sold for use or lease in the United States (determined on a cumulative basis for sales after December 31, 2005). Taxpayers purchasing the manufacturer's vehicles during the first two calendar

quarters of the phase-out period may claim only 50 percent of the otherwise allowable credit. Taxpayers purchasing the manufacturer's vehicles during the third and fourth calendar quarters of the phase-out period may claim only 25 percent of the otherwise allowable credit. No credit is available for vehicles purchased after the last day of the fourth calendar quarter of the phase-out period. Section 30B(k)(2) provides that the credit provided by § 30B(a) shall not apply to any property purchased after December 31, 2010.

Notice 2006-9, 2006-1 C.B. 413, provides procedures for a vehicle manufacturer (or in the case of a foreign vehicle manufacturer, its domestic distributor) to certify to the Internal Revenue Service (Service) both (1) that a particular make, model and model year of vehicle qualifies for either the new advanced lean burn technology motor vehicle credit or the new qualified hybrid motor vehicle credit and (2) the amount of the credit allowable with respect to that vehicle.

Section 5.05 of Notice 2006-9 requires a manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) that has received from the Service an acknowledgement of its certification for a particular make, model, and model year of vehicle to submit to the Service a report of the number of qualified vehicles sold by the manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) to retail dealers during the calendar quarter. A qualified vehicle is defined for this purpose as any passenger automobile or light truck that is a new advanced lean burn technology motor vehicle or a new qualified hybrid motor vehicle.

In accordance with section 5.05 of Notice 2006-9, Volkswagen Group of America

has submitted quarterly reports that indicate that its cumulative sales of qualified vehicles to retail dealers reached the 60,000-vehicle limit during the calendar quarter ending March 31, 2010. Accordingly, the credit for all new advanced lean burn technology motor vehicles or new qualified hybrid passenger automobiles or light trucks sold by Volkswagen Group of America will begin to phase out on July 1, 2010.

SECTION 3. SCOPE OF NOTICE

This notice applies to any make, model, or model year of new advanced lean burn technology motor vehicle or new qualified hybrid passenger automobile or light truck that is –

- (1) sold by Volkswagen Group of America; and
- (2) purchased for use or lease in the United States on or after July 1, 2010.

SECTION 4. CREDIT AMOUNT

.01 *In general.* If a new advanced lean burn technology motor vehicle or a new qualified hybrid passenger automobile or light truck sold by Volkswagen Group of America is purchased for use or lease after July 1, 2010, the allowable credit is as follows:

- (1) For vehicles purchased for use or lease on or after July 1, 2010, and on or before December 31, 2010, the credit is 50 percent of the otherwise allowable amount determined under § 30B(c) or (d) (whichever is applicable);
- (2) For vehicles purchased for use or lease on or after January 1, 2011, no credit is allowable, not because of the phase-out provisions of § 30B(f) but because the credits under § 30B(c) and § 30B(d) expire for vehicles purchased after that date.

.02 Certified Vehicles. The following tables set forth the credit available on or after July 1, 2010, for advanced lean burn motor vehicles for which Volkswagen Group of America received an acknowledgement of its certification from the Service.

Table 1

| July 1, 2010 – December 31, 2010 | | |
|----------------------------------|---|---------------|
| Model Years | Model | Credit Amount |
| 2009 | Audi Q7 3.0L TDI | \$575 |
| 2010 | Audi Q7 3.0L TDI | \$575 |
| 2010 | Audi A3 2.0L TDI | \$650 |
| 2010 | Volkswagen Golf 2.0L TDI (automatic) | \$850 |
| 2010 | Volkswagen Golf 2.0L TDI (manual) | \$650 |
| 2009 | Volkswagen Jetta 2.0L TDI Sedan | \$650 |
| 2010 | Volkswagen Jetta 2.0L TDI Sedan | \$650 |
| 2009 | Volkswagen Jetta 2.0L TDI SportWagon | \$650 |
| 2010 | Volkswagen Jetta 2.0L TDI SportWagon | \$650 |
| 2009 | Volkswagen Touareg 3.0L TDI | \$575 |
| 2010 | Volkswagen Touareg 3.0L TDI | \$575 |

Table 2

| On or after January 1, 2011 | | |
|-----------------------------|---|---------------|
| Model Years | Model | Credit Amount |
| 2009 | Audi Q7 3.0L TDI | \$0.00 |
| 2010 | Audi Q7 3.0L TDI | \$0.00 |
| 2010 | Audi A3 2.0L TDI | \$0.00 |
| 2010 | Volkswagen Golf 2.0L TDI (automatic) | \$0.00 |
| 2010 | Volkswagen Golf 2.0L TDI (manual) | \$0.00 |
| 2009 | Volkswagen Jetta 2.0L TDI Sedan | \$0.00 |
| 2010 | Volkswagen Jetta 2.0L TDI Sedan | \$0.00 |
| 2009 | Volkswagen Jetta 2.0L TDI SportWagon | \$0.00 |
| 2010 | Volkswagen Jetta 2.0L TDI SportWagon | \$0.00 |
| 2009 | Volkswagen Touareg 3.0L TDI | \$0.00 |
| 2010 | Volkswagen Touareg 3.0L TDI | \$0.00 |

The principal author of this notice is Patrick S. Kirwan of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding

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